

# **EXHIBIT 22**

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**Sent:** 3/11/2013 1:49:20 PM  
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**Subject:** HDMA notes

Gary and I attended the HDMA conference last week. These are my notes...

Perhaps the most surprising revelation was Steve Reardon and Gilberto Quintero saying Cardinal does not report suspicious orders to DEA...no upside.

Bill

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#### Big 4 "huddle"

Mary Fox, ABC counsel; read antitrust statement, listened in via phone on meeting with Gilberto Quintero, Bill Stivers, George Euson, Gary Hilliard, Ed Hazewski, Steve Mays, Mahoney—meeting was 3/3/13 ~5:15-6:40p

Issues discussed:

- DEA→lack of familiarity on CSOS
- (Mays) Some think there is an "E-222 form"
- (Mays) some DIs think wholesaler requirement for POA from customer for CSOS
- (Mays) ABC-Axway product...Birmingham audit, detailed, difficult
- (Mays) hit on slow turnaround on due-diligence record retrieval
- (Reardon) extensive inventory audits 40 products going back 12 months
- (Reardon) poor understanding of fact that we run 24x7—desiring consistent cutoff
- (Reardon) no tolerance on variances in certain locations; has resulted in letter of admonition in some locations (old school vs. new school)
- (Euson) 106s in NJ loss of six bottles of hydrocodone—letter of admonition

Supplier SOM inquiry

- Mallinckrodt, Actavis, Watson (since Actavis merger—holding orders (Mays)) Merck
- Mallinckrodt using dated info in some reviews
- ABC passing on chargeback denial to customers
- Aaron Brown set up SOM for Qualitest; has moved to BI
- Stivers mentioned hydromorphone and Ibuprofen 800mg in FL

Colorado—EPA Haz waste reverse distribution

- Attitude of regulators changed dramatically when Gary pointed out that product returned to Inmar while still viable, ergo not waste; others appreciative

Group thought the meeting was productive, and resolved to conduct something similar to it in the next six months, or so.

Later had dinner with the group. Interesting gossip came from Reardon/Quintero, who relate that Cardinal is not reporting suspicious orders to DEA on the advice of outside counsel (appears to be Linden Barber)... "we don't get any credit for doing it, appears there is no upside..." (apparently Steve Reardon now reports to Gilberto Quintero...Michael Mone has been moved to an Ann Berkey-like role)

**DEA Update:** Alan Santos, Associate Deputy Assistant Administrator, DEA

Spoke to a deck with fairly dated info...most from 2010-2011

[http://www.deadiversion.usdoj.gov/fed\\_regs/actions/2007/fr07032.htm](http://www.deadiversion.usdoj.gov/fed_regs/actions/2007/fr07032.htm)

Salient points: tramadol being used in place of carisoprodol in trinity cocktails; mentioned new epidemic in hydromorphone in Florida (where in another meeting, it was related by DI Boggess that hydromorphone dispensing doubled from 2011-2012)

Drug abuse resource for kids (i.e. guidance on how to get the high you want):

[www.Erowid.org](http://www.Erowid.org)

### **Conference call with Mark Radcliffe (Pharmacists and Physicians Fighting Diversion) and Gary Hilliard**

Dave Gustin had asked that we speak to Radcliffe to validate his thinking on PPPFD's approach of validating patients so bona fide patients can get their pain treated without the difficulty that many experience today. Radcliffe states that he was a Purdue DSM 1999-2005; mentioned in book *Pain Killer: A "Wonder" Drug's Trail of Addiction and Death* (2003) by Barry Meier. I looked up the reference, and it is minor and not necessarily positive. In it, he tells one of his reps that he's done a good job of remaining "audible-ready" in assessing his sales techniques to docs and pharmacists. I take that to mean that the rep is skilled at reading signals and varying his pitch...

Methods:

- Independently verify patients from LE perspective
- Diagnostic reports
- Background check
- Interview patient—how they function
- PMP
- Fingerprint
- Take picture, image of DL
- Patient waives HIPAA, court case they were involved in determined HIPAA doesn't protect criminal activity
- Not limited by state lines
- Reported/triggered arrest of patient local to KY who was doctor shopping in FL... "first time such a report made to Law enforcement/DEA"
- All patients agree that they fight diversion, and any info provided can be used to fight diversion

Gary and I discussed after the call, and agreed that it seems costly, may not serve to strengthen the McKesson-Pharmacy relationship from a sales or sponsorship perspective, but we might

surely be interested in such a methodology in our investigation. One other area of concern is how this labor-intensive process would scale up from current 100-1000 patients to 100,000-1,000,000 patients.

**Know Your Customer:** Matt Murphy, PCG (pharma Compliance Group); George Euson, HDS (Murphy is former DEA who consults with Food City DOP Mickey Blazer)

Shared pictures, stories, techniques on evaluating customers

(Murphy) DEA has ~600 DIs Nationwide covering 1.4 million registrants...what are the odds of a doc or pharmacy receiving a visit if there are not concerns about the registrant?

(Murphy) Referred to 28 USC 1746 in required nature of questionnaire

(Euson) look at pharmacy outliers for high cost brand/high Medicare reimbursement products

(Euson) high proportion of oxycodone 10/325, oxycodone 30mg, hydrocodone 10mg

(Euson) DRA equiv visits (he has 5 former LE and one pharmacist)

Confirms elements of customer profile (they seem to have an application which grabs the various pieces of data associated with a customer for quick presentation on a single sheet)

Checks staff knowledge of dispensing practices

Gives informal education to pharmacy on methods of diversion and drug-seeking behavior

Security analysis of physical pharmacy

Referred to DEA pharmacist "corresponding responsibility" quote from CFR

East Main Street Pharmacy docket 09-48 EMS, DEA site 10/27/10

Informs DEA, manufacturer partners, and states of decisions to block, exit, or decline to open pharmacies

Use Lexis/Nexus ("good value @ \$2500/mo.")

[www.Exclusions.oig.hhs.gov](http://www.Exclusions.oig.hhs.gov)

- practitioners no longer eligible to participate in fed programs

### **CSMP Issues: Design, Execute, Assess**

Linden Barber, Larry Cote—Quarles

Barber—8 years Army JAG; 12 years DEA, led actions against internet pharmacy, distributors

Cote—DEA, adviser associate chief focus on listed chemicals

Contextualize orders: VA hospital different from independent

Pay attention to non-regulatory guidance (i.e. be alert to trend changes and willing to change)

Understand your role

Discover suspicious orders

Stop suspicious orders

Report suspicious orders

Report on discovery

What constitutes a suspicious order?

Classic example of non-SOM: Southwood case

[http://www.deadiversion.usdoj.gov/mtgs/chem\\_industry/conf\\_2008/barber\\_legalupdate.pdf#xml=http://search.deadiversion.usdoj.gov/texis/search/pdfhi.txt?query=southwood&pr=Prod-static-walk&prox=page&rorder=500&rprox=500&rdfreq=500&rwfreq=500&rlead=500&rdepth=0&sufs=2&order=r&cq=&id=4fba46d06a](http://www.deadiversion.usdoj.gov/mtgs/chem_industry/conf_2008/barber_legalupdate.pdf#xml=http://search.deadiversion.usdoj.gov/texis/search/pdfhi.txt?query=southwood&pr=Prod-static-walk&prox=page&rorder=500&rprox=500&rdfreq=500&rwfreq=500&rlead=500&rdepth=0&sufs=2&order=r&cq=&id=4fba46d06a)

\$55 million of hydrocodone in one year to 8 pharmacies in Florida; \$3 million prior year

No system, high volume after the fact

Walgreen's suspicious transactions in excessive quantities

Local WAG DC raised issues, they were quashed at corporate level

- “callous disregard for concerns expressed at the distribution center”

Walgreens used chemical guidance in the design and construction of their CSMP

## Key Metrics

- Volume
- Product mix within family (Keysource case in OH)
  - [http://www.deadiversion.usdoj.gov/fed\\_regs/actions/2007/fr07032.htm](http://www.deadiversion.usdoj.gov/fed_regs/actions/2007/fr07032.htm)
- Growth
- Ratio of CS/non-CS

Measure growth trends

Documentation of decision on whether to fill flagged order or not (CAH failing)

Leave justifications to compliance issues

Continuation of business with customers that place suspicious orders

Novelty case—didn't follow their own SOP on limits of PSE

***Novelty Distributors, Inc.***

• “Fundamental to its obligation to maintain effective controls against diversion, a distributor must review every order and identify suspicious transactions. Further, it must do so prior to shipping the products. Indeed, a distributor has an affirmative duty to forgo a transaction if, upon investigation, it is unable to determine that the proposed transaction is for a legitimate purpose.”

- Maintaining effective controls against diversion is more than just good physical security, proper recordkeeping, and inventories that match records
- Know precisely what each customer is ordering before shipping from the registered location
- Storage in trucks can be a problem Extraordinarily large volume can be a key indicator of diversion
- “DEA has frequently found that the listed chemicals which are used by smaller illicit labs have been sold by convenience stores, gas stations, and other small retailers.”

SOPs are tricky

- Cultivate a culture of compliance
- Is system adjusting to changes in diversion and abuse?
- Is system adjusting to changes in legitimate demand?

Tracking DEA enforcement actions and litigation positions

Check reply brief in WAG case

Registrants have more obligations than defined in CSA

Document retention and usefulness of info

- Six year old files will only be used against you

Assess compliance with SOPs

Not all about volume, but it is all about his volume

ARCOS data—flagging high volume

DEA only uses information that you provide (ARCOS, diligence files, email) to make the case against you

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